

Message Text

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ACTION EB-08

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AMEMBASSY ROME
AMEMBASSY STOCKHOLM
USMISSION EC BRUSSELS
USMISSION OECD PARIS
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UNCLAS LONDON 04363

E.O. 11652: N/A
TAGS: EWWT, ENRG
SUBJ: WORLD TANKER FLEET REVIEW AND U.S. TANKER
SITUATION

1. SHIPPING PRESS REPORTS ON LATEST WORLD TANKER FLEET
REVIEW PUBLISHED BY JOHN L. JACOBS AND CO. LTD. HIGH-
LIGHTS ARE THAT SURPLUS TANKER TONNAGE EXPECTED TO PEAK
TOWARDS END OF 1977 AND THROUGH INTO 1978. REVIEW, HOW-
EVER, FOCUSES ON U.S. FLAG TANKER FLEET AND POSSIBLE
IMPACT ON TANKER MARKET IF U.S. GOVERNMENT GOES AHEAD WITH
LARGE INCREASE TO STRATEGIC PETROLEUM RESERVE AND IF
CONGRESS PASSES OIL CARGO PREFERENCE LEGISLATION.
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2. LITTLE SCOPE IS SEEN FOR FURTHER CANCELLATIONS OR
CONVERSIONS INTO BULK CARGO VESSELS OF TANKERS PRESENTLY
ON ORDER. ALMOST 24 MILLION DEADWEIGHT TONS OF TANKERS -
68 PERCENT OF ALL TANKERS PRESENTLY ON ORDER - ARE SCHED-
ULED FOR DELIVERY IN 1977. CONSEQUENTLY, JACOBS EXPECTS
A SIGNIFICANT RISE IN THE OVERSUPPLY DURING THE COURSE OF

THE YEAR. WHILE PROSPECTS ARE GLUM FOR THE TANKER MARKET IN GENERAL, 35-70'000 TONNERS SHOULD ENJOY A "MODICUM OF PROFITABILITY" IN THE NEAR FUTURE. THE DEMAND .CR THIS SIZE VESSEL IN THE MEDITERRANEAN AND THE CARIBBEAN LOOK TO LEAD TO A SHORTAGE AND HIGHER CHARTER RATES IN THE EASTERN HEMISPHERE.

3. ON THE U.S. SIDE, CONGRESS HAS CALLED FOR 23 MILLION TONS OF CRUDE OIL TO BE IN A STRATEGIC PETROLEUM RESERVE BY THE END OF 1978, WHILE THE FEDERAL ENERGY ADMINISTRATIO HAS RECOMMENDED A TARGET OF 500 MILLION BARRELS OR ABOUT 75 MILLION TONS BY 1982. APPROVAL OF A LARGE RESERVE SEEMS LIKELY AND THE INDICATIONS ARE THAT THE U.S. GOVERNMENT WILL FINANCE THESE STOCK, WHICH, UNDER THE 1954 AMENDMENTS TO THE MERCHANT MARINE ACT OF 1936, CALLS FOR 50 PERCENT OF THE OIL PURCHASED AND IMPORTED TO BE CARRIE IN U.S. FLAG SHIPS. JACOBS COMMENTS "HOW THIS, THE ALASKAN PRODUCTION AND THE EXISTING U.S. COASTWISE TRADING CAN BE CATERED FOR BY THE DOMESTICALLY OWNED FLEET IS AN OPEN QUESTION". THE DEMANDS OF ANY U.S. OIL CARGO PREFERENCE LEGISLATION ON THE U.S. FLEET WOULD BE IN ADDITION.

4. THE REVIEW'S ANALYSIS OF THE U.S. TANKER FLEET SHOWS THAT 27.2 PERCENT WAS BUILT IN 1957 OR EARLIER AND A FURTHER 26-5 PERCENT BETWEEN 1958 AND 1969. AS OF THE END OF 1976, THE FLEET TOTALED 10.4 MILLION DEADWEIGHT TONS, OF WHICH 3.8 MILLION WAS IN THE 10-35,000 TON RANGE AND 3.4 MILLION IN THE 35-80,000 TON RANGE.

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